

TE/GE



EMPLOYEE PLANS
TEAM AUDIT

EMPLOYEE PLANS TEAM AUDIT



History and Background

Key Features

EP Team Audit Program *History and Background*



4,400 Single Employer IRC 401(a) Qualified Plans have 2,500 or more participants

- They represent 1% of 690,000 such plans
- They hold 60% of total plan participants
- They hold 70% of total plan assets

(Multi-employer, 403(b), & 457 plans yield similar results.)

EP Team Audit Program *History and Background*



Developed Processes and procedures for:

- Case identification
- Case selection
- Pre-examination process
- Examination process
- Post Examination process

EP Team Audit Program *History and Background*



EPTA program will continually:

- Test and validate processes and procedures
- Validate categories of customers
- Obtain compliance data
- Assess resources
- Assess training and development needs
- Identify Management Reporting needs
- Identify Information/Technology needs

EP Team Audit Program *History and Background*



Specialized Training:

- Conducting Conferences
- Constructing The Audit Plan
- Constructing Administrative Record
- Principles of Statistical Sampling
- Computer Audit Assisted Examinations
- Intermediate and Advanced Access database
- Conversion To Cash Balance Plans
- Schedule M-1 Reconciliation

EP Team Audit Program *History and Background*

Partnering with EPTA Counsel:

- EPTA “Notice of Examination” letter does not trigger the running of the 15 day period of Rev. Proc. 94-69 if a discrepancy adjustment results
- Clarified that an EPTA “stand alone” audit does not start the EO or LMSB audit and will not require a closing letter

EP Team Audit Program

Key Features



- EPTA provides support to LMSB and EO
- EPTA conducts audits in coordination and conjunction with LMSB and EO
- EPTA conducts stand-alone audits of LMSB and EO clients
- Each group includes both MAP and 403(b) agents.

EP Team Audit Program

Key Features

Current Staffing:

- Six Groups:

Vincent Rotolo – Northeast

Elsie Garcia – Mid-Atlantic

Janice Gore – Great Lakes

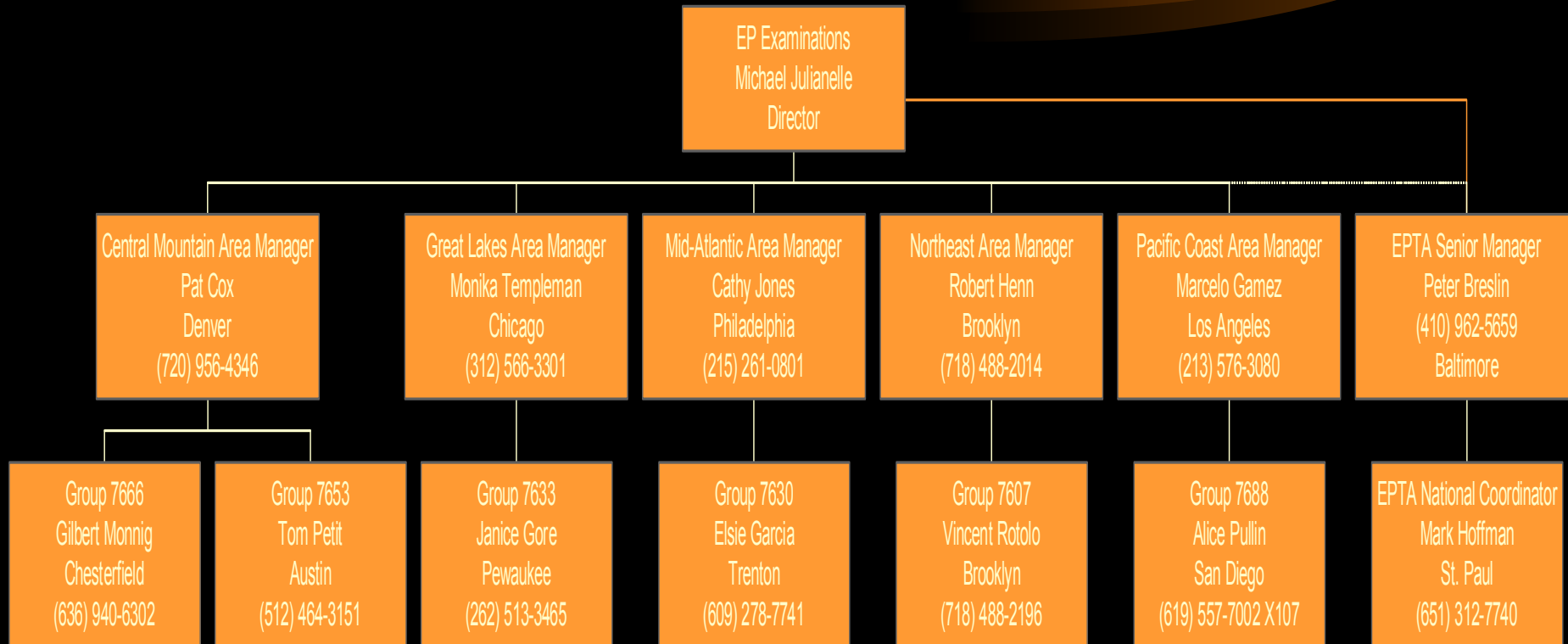
Gil Monnig – Central Mountain

Tom Petit – Gulf Coast

Alice Pullin – Pacific Coast

EPTA Staffing Chart

Effective 10/1/2003



EP Team Audit Program

Key Features

Case Selection

- Identification Criteria
 - Number of participants in plan(s)
 - Gross assets in plan(s)
 - Contributions to plan(s)
 - Number of plans of the employer/controlled group
 - Number of controlled or related entities

EP Team Audit Program

Key Features

Case Selection

- Selection Criteria
 - Points from identification criteria
 - National impact
 - Impact on plan participants
 - Emerging issues
 - Referral information
 - Field Input

EP Team Audit Program

Key Features

Case Identification Specialist (CIS):

- Create/maintain national EPTA case universe
- Risk analysis/market segment approach
- Review other source material
- Use of web sites
- Interact with EPTA Case Selection Committee
- Prepare case selection files

EP Team Audit Program

Key Features

Case Selection Committee:

- 3 Area Managers
- 3 EPTA Case Managers
- EPTA National Coordinator
- EPTA CIS (non-voting member)
- Large Case Reviewer (non-voting member)

EP Team Audit Program

Key Features

- Planning
- Engagement
- Management Involvement
- Post Audit Critique
 - Include team and customer feedback
 - Customer satisfaction indices
 - Historical records maintained by CIS
 - CE&O for outreach

EP Team Audit Program

Key Features

- Pre-examination planning
 - Meet with EP team
 - Review lead return
 - Review related returns
 - Historical file
 - Identification check sheet
 - Meet with LMSB/EO team to coordinate audit

EP Team Audit Program

Key Features



Pre-auditing the Return:

- Low percentage of participants compared to number of employees
- When comparing multiple years there is a large drop in plan participants
- Large decrease in plan participants from beginning of year to end of year
- Large number of separated participants during the year

EP Team Audit Program

Key Features



Pre-auditing the Return:

- Large distributions on the income statement
- Large amounts of administrative expenses
- Return indicates the plan terminated a long time ago but distribution did not take place
- Large percentage of assets classified as other assets on the balance sheet
- Large percentage of assets in one single investment

EP Team Audit Program

Key Features

- Individually tailored audit engagement plan (audit plan)
 - Define roles and responsibilities:
 - Taxpayer
 - EPTA Case Manager
 - EPTA Revenue Agent
 - Computer Audit Specialist (CAS)
 - Other Team Members

EP Team Audit Program

Key Features

- Conducting the Audit:
 - Initial team meeting
 - EPTA opening conference
 - Periodic interim conferences
 - Periodic review of case status/issues
 - Review Notice of Proposed Adjustments prior to issuance
 - Issue resolution meetings

EP Team Audit Program

Key Features

- Post Audit Critique
 - Case Manager/Team Coordinator/Team Members Evaluate:
 - Audit Results
 - Audit Procedures
 - Audit Plan
 - Taxpayer/audit team relationships
 - IDR procedures
 - Use of support personnel

EP Team Audit Program

Key Features

- Post Audit Critique
 - Case Manager/Team Coordinator/National Coordinator:
 - Conduct conference with taxpayer
 - Prepare post-audit critique narrative
 - National Coordinator shares best practices with other EPTA groups and agents
 - National Coordinator makes recommendations to upper level managers

Case Activity



- Potential Issues:
 - Excess nondeductible contributions
 - Vesting corrections
 - Participant loans
 - FMV of securities
 - Distributions
 - VEBA Deduction Adjustments
 - Funding Failures

QUESTIONS ?

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